

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF WESTFIELD GAS)
CORPORATION, D/B/A CITIZENS GAS OF)
WESTFIELD FOR (1) AUTHORITY TO INCREASE)
RATES AND CHARGES FOR GAS UTILITY SERVICE)
AND APPROVAL OF A NEW SCHEDULE OF RATES)
AND CHARGES AND TERMS AND CONDITIONS)
APPLICABLE TO GAS UTILITY SERVICE,)
INCLUDING APPROVAL PURSUANT TO RULE 5-1-)
27(F) OF THE COMMISSION'S RULES OF A FIVE-)
YEAR NON-GAS REVENUE TEST TO DETERMINE)
WHEN DEPOSITS ARE REQUIRED FOR FACILITIES)
EXTENSIONS; (2) APPROVAL PURSUANT TO)
INDIANA CODE SECTION 8-1-2.5-6 OF AN)
ALTERNATIVE REGULATORY PLAN AND)
AUTHORITY TO IMPLEMENT AN ENERGY)
EFFICIENCY ADJUSTMENT RIDER; (3) APPROVAL)
TO AMORTIZE AND RECOVER CERTAIN)
DEFERRED ENERGY EFFICIENCY REBATE COSTS;)
(4) AUTHORITY TO RECOVER UNACCOUNTED)
FOR GAS COSTS AND A PORTION OF THE GAS)
COST COMPONENT OF NET-WRITE OFFS)
THROUGH PETITIONER'S GAS COST)
ADJUSTMENT CHARGE; (5) APPROVAL OF NEW)
DEPRECIATION ACCRUAL RATES; AND (6))
APPROVAL OF A SERVICE LEVEL AGREEMENT)
BETWEEN PETITIONER AND CITIZENS ENERGY)
GROUP.)

FILED

MAY 29 2009

INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 43624

PREFILED TESTIMONY OF

MITCHELL VAN CLEAVE – PUBLIC'S EXHIBIT MVC-1

ON BEHALF OF

THE INDIANA OFFICE OF

UTILITY CONSUMER COUNSELOR

May 29, 2009

**DIRECT TESTIMONY OF MITCHELL VAN CLEAVE
CAUSE NO. 43624**

1 **Q: Please state your name and business address.**

2 A: My name is Mitchell Van Cleave and my business address is 115 W. Washington
3 Street, Suite 1500 South, Indianapolis, IN 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of the Utility Consumer Counselor (OUCC)
6 as a utility analyst in the natural gas division with a focus on the concerns of
7 small/medium business consumers and special contract issues. I am also a
8 member of the Energy Efficiency Working Group at the OUCC.

9 **Q: Please describe your educational background.**

10 A: I received a Bachelors of Arts Degree in Political Science from Indiana
11 University. I have technical training in the energy services area through the Air
12 Conditioning Contractors of America Educational Program for Instructor
13 Certification for Residential and Commercial HVAC Design and other
14 HVAC/Energy Services courses/seminars made available as a member of the
15 American Society of Heating, Refrigeration and Air Conditioning Engineers
16 (ASHRAE).

17 **Q: Please describe your professional experience.**

18 A: Since joining the OUCC in 2006, I have been involved in several cases for both
19 gas and electric energy efficiency programs. I am also involved in each of the

1 three natural gas energy efficiency oversight boards that have been formed
2 pursuant to Commission orders in Cause No. 43046 - Vectren Energy Delivery
3 (December 2006); Cause No. 43051 – Northern Indiana Public Service Company
4 (May 2007); and Cause No. 42767 Citizens Gas (August 2007). Before joining
5 the OUCC, I spent 5 years in the commercial/industrial building automation and
6 energy services field. Prior to that I was employed by Indiana Gas Company in
7 various energy services capacities including Manager of Technical Energy
8 Services and Manager of Commercial Accounts. While serving in those
9 capacities at Indiana Gas Company, I gained experience in the residential and
10 commercial markets and observed Energy Efficiency and DSM programs and
11 their impact in the market. In 1991 I was elected as a full member of ASHRAE.
12 Also during the early 1990s, I was a member of the Association of Energy
13 Engineers and was a charter member of the Demand Side Management Society of
14 the Association of Energy Engineers.

I. Introduction

15 **Q: How did you prepare for this testimony?**

16 A: I read the testimony and the exhibits of Westfield Gas Corporation (“Petitioner”
17 or “Westfield Gas”). I also read Petitioner’s responses to the OUCC data
18 requests. I participated in case team meetings in which the members of the team
19 presented their analysis and research. Also, I was part of the OUCC team which
20 conducted an on-site examination of Westfield Gas documents at the Citizens
21 Energy Group office located at 2020 N. Meridian Street, Indianapolis, IN.

1 **Q: What is the purpose of your testimony?**

2 A: First, my testimony recommends a modification of Petitioner's proposed tariff
3 adding transportation rates for commercial and industrial customers. Secondly, it
4 explains why the OUCC supports Petitioner's request for an Energy Efficiency
5 Portfolio and Energy Efficiency Adjustment with an amendment to the funding
6 level for the Energy Efficiency Portfolio.

II. Tariff Issues.

7 **Q: What changes is Petitioner proposing for the tariff?**

8 A: Petitioner is proposing an Energy Efficiency Adjustment (EEA-Appendix E)
9 designed to fund the program costs of the Energy Efficiency Portfolio (Energy
10 Efficiency Funding Component or "EEFC") and to allow the utility to recover lost
11 margins due to energy efficiency efforts of its customers (Sales Reconciliation
12 Component or SRC). The EEA will be discussed in Section III of my testimony.
13 The testimony of Petitioner's witness Jill Phillips, describes the other proposed
14 changes to Westfield Gas' Tariff, including:

15 Proposed Terms and Conditions: Presently Westfield Gas does not have a set of
16 Terms and Conditions on file with the Commission. The Terms and Conditions
17 proposed are consistent with those used by Citizens Gas, but modified to fit
18 Westfield Gas (Petitioner's Exhibit JAP, Page 3, Lines 9-14).

19 Rate Schedules: The proposed rate schedules and appendices are more consistent
20 with Citizens Gas' rate schedules; the proposed schedules have been re-named
21 and have gas rate numbers. The proposed Appendix A is no longer used for a rate

1 adjustment factor, but now reflects the entire cost for gas supply. The Special
2 Large Volume Interruptible Service for Public Schools, presently unused, is being
3 removed. Proposed Administrative Services A-1 through A-3 address the
4 transportation rate issues of automated meter reading, third-party non-
5 performance, unaccounted-for gas, and balancing provisions (only schools are
6 offered a transportation rate in the proposed tariff).

7 **Q: Does the OUCC support the proposed changes?**

8 **A:** Yes. The OUCC understands that making the Westfield Gas tariff more
9 consistent with the Citizens Gas tariff makes it easier to administer, and allows for
10 better customer service. However, the OUCC recommends Westfield Gas also
11 adopt commercial and industrial transportation rates similar to Citizens Gas rates
12 for these types of customers. In essence, Westfield rates D30, D40 and D50
13 could operate as delivery only (transport) rates just as Citizens Gas rates D3, D4,
14 D5 and D9 are able to operate as transport rates when the Rate S-1 Gas Supply is
15 not also applied.

16 **Q: Why does the OUCC think a Commercial and Industrial transportation rate**
17 **is practical for a company the size of Westfield Gas?**

18 **A:** The OUCC has not typically advocated that small gas utilities should offer
19 transportation rates to commercial and industrial customers. The OUCC has,
20 however, supported the efforts of Citizens Gas, in Marion County, to bring third-
21 party choice to its commercial and industrial customers. Given that Westfield

1 Gas is adopting many elements of the Citizens Gas tariff, and that the same
2 management and staff that administer the Citizens Gas tariff will be administering
3 the Westfield Gas tariff, this is an opportunity to offer third-party choice
4 (transportation) options to the businesses connected to the Westfield Gas system.

5 **Q: Why does the OUCC think a Commercial and Industrial transportation rate**
6 **is important for the customers of Westfield Gas?**

7 **A:** Westfield Gas' territory has been characterized as a rapidly growing system.
8 While it is true that the majority of this growth has been in the residential
9 segment, it has been my experience that commercial (and to a lesser extent,
10 industrial) growth follows residential growth. These present and future
11 commercial and industrial customers should have the opportunity for third-party
12 choice in gas supply, especially since offering this option is practical for
13 Westfield Gas because of the synergies with Citizens Gas procedures and
14 personnel and is consistent with the character of Westfield Gas' developing
15 territory. While some, and perhaps most, commercial and industrial customers
16 will continue accepting GCA-level service from Westfield Gas, there are those
17 who may desire a choice in suppliers. Some may choose a third party supplier
18 solely because they desire a fixed unit price contract which is not available in
19 GCA service. Where practical, customers should have such options at this time.

III. Energy Efficiency Adjustment.

Q: Does the OUCC support the Gas Rate Decoupling and Energy Efficiency Adjustment (EEA-Appendix E)?

A: Yes, the OUCC supports Petitioner's desire to offer energy efficiency programs which reduce customers' bills by reducing the gas consumed. The OUCC has been a partner and supporter of these programs with several utilities, serving on the oversight boards for NIPSCO (Cause No. 43051), Vectren (Cause No. 43046) and Citizens Gas (Cause No. 42767). Petitioner's Witness Prentice explains that the Westfield Gas proposal is modeled after the EEA approved in Citizens Gas' Cause No. 42767 and Vectren Energy's Cause No. 43046. The OUCC understands that the Sales Reconciliation Component (decoupling) makes the utility a neutral party on the issue of energy conservation, and the OUCC has supported this model and is continuing to work with these utilities to make these energy efficiency programs effective.

Q: Does the OUCC support Petitioner's proposal to integrate the Westfield Gas Energy Efficiency Programs into the Citizens Energy Efficiency Oversight Board and to use the same third party administrator?

A: Yes. Westfield Gas is a small gas utility compared to Citizens Gas, Vectren and NIPSCO. The administration of energy efficiency programs for a small utility can be very expensive as a percentage of program funding. Using the same administrator and combining the Westfield Gas EE programs into the existing Citizens Gas EE Oversight Board will result in efficient and well-run programs.

1 The OUCC supports this approach.

2 **Q: Does the OUCC support Petitioner's request for funding of the first year of**
3 **the EE portfolio at \$33, 800?**

4 **A:** No. The OUCC believes Petitioner is proposing to over-fund this program. At
5 \$33,800, assuming that 3,000 customers pay into the EEFC, the average charge
6 per customer per year would be \$11.27. This exceeds the initial average funding
7 per customer of \$9.40 per year for Citizens Gas (Phase II) customers and \$7.90
8 per year for Vectren (Phase II) customers. Westfield Gas' housing stock and
9 commercial building stock resembles Vectren more than it does Citizens Gas. In
10 fact, as Ms Prentice testifies:

11 ...the housing stock on average is newer than the housing stock in Citizens
12 Gas' service territory, and new construction is more prevalent in
13 Westfield's territory than in Citizens Gas' territory. (Exhibit LSP, Page
14 12, line 19-Page 13, Line 2)
15

16 Therefore, the OUCC recommends an initial year funding of \$23,700 (3,000 x
17 \$7.90) to be in line with the initial Phase II year 1 funding of the Vectren
18 programs with similar housing stock.

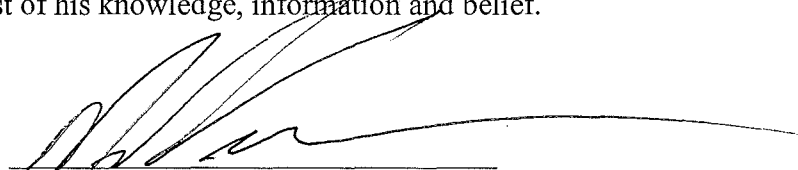
19 **Q: Does this conclude your testimony?**

20 **A:** Yes.

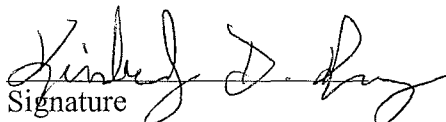
VERIFICATION

STATE OF INDIANA)
) ss:
COUNTY OF MARION)

The undersigned, Mitchell Van Cleave, under penalties of perjury and being first duly sworn on his oath, says that he is a Employee for the Indiana Office of Utility Consumer Counselor; that he caused to be prepared and read the foregoing that the representations set forth therein are true and correct to the best of his knowledge, information and belief.


By: Mitchell Van Cleave
Indiana Office of
Utility Consumer Counselor

Subscribed and sworn to before me, a Notary Public, this 29th day of May, 2009.


Signature

Kimberly D. Remy
Printed Name

My Commission Expires: October 22, 2010

My County of Residence: Johnson

CERTIFICATE OF SERVICE

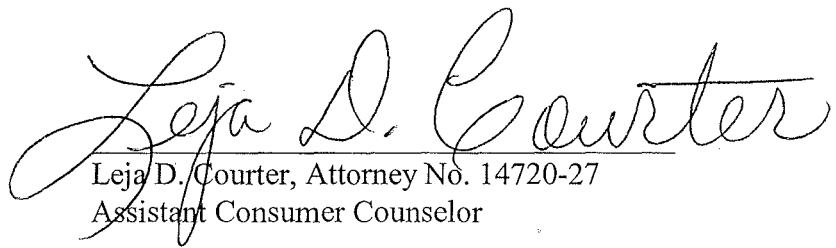
This is to certify that a copy of the foregoing **OUC** TESTIMONY OF MITCHELL VAN CLEAVE has been served upon the following parties of record in the captioned proceeding by electronic service and/or by depositing a copy of same in the United States mail, first class postage prepaid, on May 29, 2009.

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